

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 L-03 PA-01 PRS-01 USIA-06 TRSE-00 EB-07

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC 5394

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TAGS: EGEN, EINV, PE

SUBJECT: CREATION OF NATIONAL SOCIAL PROPERTY FUND

REFS: LIMA 3334, LIMA 1653

1. ON JUNE 3 THE GOP INSTALLED THE NATIONAL SOCIAL PROPERTY FUND (FONAPS) IN AN OFFICIAL CEREMONY IN LIMA. FONAPS IS THE CHIEF FINANCING AGENCY FOR THE SOCIAL PROPERTY SECTOR, AND ITS ROLE AND RESPONSIBILITIES ARE SPELLED OUT IN ART. 154 OF D.L. 20598, WHICH CREATED SOCIAL PROPERTY (SEE LIMA A-95 OF MAY 13, 1974). LUIS GUIULFO ZENDER, FORMER VICE MINISTER OF ECONOMY AND FINANCE, AND A MEMBER OF THE SOCIAL PROPERTY COMMISSION WHICH DRAFTED THE BASIC LAW, HAS BEEN NAMED PRESIDENT OF FONAPS. IN A PRESS INTERVIEW AT THE TIME OF THE CEREMONY, GUIULFO AND OTHER OFFICIALS NOTED THAT FONAPS WILL RECEIVE AN INITIAL S/.3 BILLION TO FINANCE SOCIAL PROPERTY ENTERPRISES (EPS'S) IN THE SECTOR. THIS MONEY WILL COME FROM COFIDE IN THE AMOUNT OF S/.664 MILLION AND THE REST FROM THE CENTRAL BANK. GUIULFO NOTED THAT FONAPS' CREATION MARKS THE SECOND STEP TOWARD CREATION OF A FULL-BLOWN SOCIAL PROPERTY SECTOR AND PRAISED COFIDE (STATE DEVELOPMENT BANK) OFFICIALS FOR THEIR ASSISTANCE DURING THE LAST YEAR IN WORKING OUT FINANCIAL ARRANGEMENTS

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FOR THE FIRST EPS'S.

2. GUIULFO NOTED THAT FONAPS WILL NOT CONSIDER FINANCING ENTERPRISES IN POOR FINANCIAL CONDITION AND COMMENTED THAT "SOME EXECUTIVES HAVE ATTEMPTED TO SELL US ON THE IDEA OF ACCEPTING THEIR ENTERPRISES." HE EMPHASIZED THAT THE KEY ROLE OF FONAPS WILL BE TO CHANNEL FUNDS TO EPS'S AND TO VERIFY THAT THE FUNDS ARE CORRECTLY USED IN ACCORDANCE WITH THE D.L. DURING THE SAME MEETING, THE PRESIDENT OF THE NATIONAL SOCIAL PROPERTY COMMISSION (SEE LIMA A-113), ANGEL DE LAS CASAS GRIEVE, NOTED THAT HUNGARY AND THE GERMAN DEMOCRATIC REPUBLIC, AMONG OTHER COUNTRIES, HAVE OFFERED TO ASSIST IN FINANCING EPS'S. DE LAS CASAS SAID THAT HUNGARY IS OFFERING \$20 MILLION FOR EPS'S.

3. SINCE OUR LAST REPORTING CABLE ON THIS SUBJECT, THE GOP HAS ANNOUNCED 26 EPS'S ARE NOW IN THE PROCESS OF FORMATION, ONE ACTUALLY FORMED (NORMETAL), 33 PROJECTS ARE UNDER ACTIVE REVIEW BY CONAPS, AND 236 ADDITIONAL SUGGESTIONS HAVE BEEN RECEIVED.

4. COMMENT: DURING A TV INTERVIEW ON JUNE 3, NOT PICKED UP BY LIMA PRESS THIS MORNING, GUIULFO ADMITTED THAT THE S/330 IS A RELATIVELY SMALL AMOUNT FOR A SECTOR WHICH IS SUPPOSED TO BECOME THE MOST IMPORTANT IN PERU, BUT ADDED THAT ADDITIONAL FUNDS WOULD BECOME AVAILABLE AS THE SECTOR GROWS. IN CONFIDENCE, A CONAPS OFFICIAL HAS INFORMED US THAT THE FINANCING FOR THE SECTOR HAS YET TO BE CLEARLY DEFINED, BUT THAT THERE ARE ADDITIONAL SOURCES WHICH THE GOP IS NOW SEEKING. OFFICIAL SAID THAT IN ADDITION TO THE S/3. BILLION FROM COFIDE AND THE CENTRAL BANK, CONAPS AND COFIDE ARE EXPLORING AN ADDITIONAL S/5 BILLION FROM OTHER FINANCIAL SOURCES, MOSTLY THE LOCAL BANKING COMMUNITY. IN ADDITION, OFFICIAL SAID THAT CONAPS WILL OBTAIN \$100 MILLION FROM FOREIGN FINANCIAL SOURCES, AND WE PRESUME THE HUNGARIAN \$20 MILLION IS INCLUDED IN THIS FIGURE. HE ALSO SAID THAT ONE WESTERN COUNTRY, WHICH HE REFUSED TO IDENTIFY, HAS EXPRESSED INTEREST IN FINANCING EPS'S. OFFICIAL ALSO SAID THAT NO DECISIONS HAVE BEEN MADE ABOUT HOW THE VARIOUS FINANCIAL LIMITED OFFICIAL USE

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INSTRUEMENTS TO BE GENERATED BY THE EPS'S (SHARE BONDS, CERTIFICATES OF PARTICIPATION) WILL BE HANDLED. WE THINK THAT ONE OF THE FIRST TASKS OF FONAPS WILL PROBABLY BE TO WORK OUT THE MECHANICS FOR THESE FINANCIAL ASSETS WITH THE GOVERNMENT AND PRIVATE BANKING COMMUNITY.

5. INITIAL FINANCING SUMS INVOLVED ARE SMALL COMPARED TO OVERALL GOP BUDGET AND REFLECT A CAREFUL APPROACH

TO SPENDING GOP MONEY ON THIS SECTOR UNTIL THE GOP HAS
EXPERIENCE WITH THE ENTERPRISES.
DEAN

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